

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3101-01
Bill No.: SB 805
Subject: Insurance - Medical; Health Care; Insurance Dept.; Health Dept.
Type: Original
Date: January 21, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated	(\$135,598 to \$335,598)	(\$155,777 to \$355,777)	(\$158,396 to \$358,396)
Total Estimated Net Effect on <u>All</u> State Funds	(\$135,598 to \$335,598)	(\$155,777 to \$355,777)	(\$158,396 to \$358,396)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor, Department of Mental Health, Missouri Consolidated Health Care Plan, Missouri Department of Conservation , Missouri Senate, Office of Administration (COA) - Division of Budget and Planning, Missouri House of Representatives and Department of Economic Development - Division of Professional Registration** assume the proposal will have no fiscal impact on their organizations.

Officials from the **COA - Division of Accounting** state the proposal provides that COA shall provide such support as the Commission requires to aid it in the performance of its duties. If a staff member is required from OA for analysis, then necessary funding would be required. However, until such time as the Commission would require aid, COA assumes the proposal would have no fiscal impact on their organization.

Officials from the **Department of Social Services (DOS)** state the purpose of the Commission is to review all existing state mandated health benefits and the projected costs of such mandates and issue a report to the General Assembly recommending which mandated health benefits should be repealed. Until such time as a recommendation is proposed in the form of legislation, the costs or savings, if any, cannot be determined. Therefore, there is no fiscal impact to the DOS.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of the

proposal on their organization.

ASSUMPTION (continued)

Officials from the **Missouri Department of Transportation** state this proposal makes changes to the Limited Mandate Health Insurance Act and establishes the Mandated Health Benefit Review Commission within the Department of Insurance. Because the Limited Mandate Health Insurance Act only applies to individual policies and to groups sponsored by an employer who employs fifty or fewer persons, and the Benefit Review Commission does not mandate health benefit coverage, there will be no fiscal impact to the Missouri Highways and Transportation Commission or the Highway and Patrol Medical Plan.

Officials from the **Department of Health and Senior Services (DOH)** state it is assumed that the commission will be created within the Department of Insurance (INS) and that all costs necessary to operate the commission will be appropriated to the INS for reimbursement requirements within section 367.1581.3. The assumption would be that the INS would include board costs in the amount of \$185 per member (except for the INS and DOH members). Due to budget reductions, if support from the DOH is requested by the commission, funds for support will be sought through the appropriation process.

Officials from the **Department of Insurance (INS)** state the INS would require one Health Care Economist (Research Analyst IV) to review and analyze data, work with experts, provide support to commission and prepare required benefit reports. One Research Analyst I-II is required to prepare and conduct surveys, collect data, run statistical reports and assist in preparing reports and analysis required under the proposal. INS assumes that the commission will contract with experts in the areas of health research, biostatistics, and actuarial science in conducting the benefit reviews. Contractual costs are estimated from \$50,000 - \$250,000 per year depending on the number and type of benefits reviewed. Meeting costs for the commission are calculated at \$100 per day for non-governmental members (6 total), 4 meetings per year.

The INS estimates that 160 insurers and HMOs would choose to change their products to not cover some of the currently required mandated benefits. This would generate form filings to the INS which are accompanied by a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000. Additional staff and expenses are not being requested to cover additional workload created by policy form filings, but if multiple proposals pass during the legislative session, the INS may need to request additional resources.

Oversight assumes the INS would hire one Health Care Economist (Research Analyst IV) and one Research Analyst I. **Oversight** has, for fiscal note purposes only, changed the starting salary for the Research Analyst I and Research Analyst IV to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of

the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

Oversight is ranging the contractual costs between \$50,000 and \$250,000 per year.

This proposal would result in an increase in Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
INSURANCE DEDICATED FUND			
<u>Income - Department of Insurance</u>			
Policy form filing fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
<u>Costs - Department of Insurance</u>			
Personal service costs (2 FTE)	(\$55,350)	(\$68,081)	(\$69,783)
Fringe benefits	(\$22,915)	(\$28,186)	(\$28,890)
Equipment and expense	(\$15,333)	(\$9,510)	(\$9,723)
	<u>(\$50,000 to</u>	<u>(\$50,000 to</u>	<u>(\$50,000 to</u>
Contractual Costs	<u>\$250,000)</u>	<u>\$250,000)</u>	<u>\$250,000)</u>
Total <u>Costs</u> - Department of Insurance	<u>(\$143,598 to</u>	<u>(\$155,777 to</u>	<u>(\$158,396 to</u>
	<u>\$343,598)</u>	<u>\$355,777)</u>	<u>\$358,396)</u>
ESTIMATED NET EFFECT ON			
INSURANCE DEDICATED FUND	<u>(\$135,598 to</u>	<u>(\$155,777 to</u>	<u>(\$158,396 to</u>
	<u>\$335,598)</u>	<u>\$355,777)</u>	<u>\$358,396)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would be expected to impact small businesses. The proposal eliminates the provision that individual and small group health insurance policies provide coverage for certain health insurance mandates.

DESCRIPTION

This proposal eliminates the requirement that individual and small group health insurance policies provide coverage for certain health insurance mandates. This proposal also eliminates a marketing restriction on insurance companies.

This proposal establishes the Mandated Benefit Review Commission within the Department of Insurance. The Commission will be comprised of the Director of the Department of Insurance, the Director of the Department of Health, four members of the General Assembly (2 Senate/2 House - nonvoting advisory capacity), and six individuals appointed by the governor with the advice and consent of the Senate (2 health insurance purchasers, two employers (small and large), and two employees who pay a percentage of their employer sponsored health insurance. The Commission must be established by October 1, 2004.

Once the Commission has been established, it must review all existing state mandated benefits and issue a report to the General Assembly by the tenth legislative day in January 2006. The report shall discuss the projected costs of all state and federal mandates and the Commission shall recommend to the General Assembly which mandated benefits should be repealed from state law.

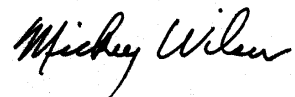
The Commission shall also review all mandated benefits proposed by member of the General Assembly. Whenever a bill containing a mandated benefit is proposed, the committee having jurisdiction over the proposal shall determine whether the committee favors the proposed mandate or not. If the Committee is in favor of the mandate, the Committee may refer the matter to the Commission for its review. The Committee must review the proposed mandate and issue a report to the committee. The report must contain the social impact of mandating the benefit, the financial impact of mandating the benefit, the medical efficacy of mandating the benefit, and the effects of balancing the social, economic and medical efficacy considerations. Once a review and evaluation of the mandated benefit has been made by the commission, the committee shall review the commission's findings.

Under this proposal, no mandated health benefit shall be enacted into law prior to January 1, 2006. After that date, no proposed mandate may be enacted into law unless the commission has reviewed and evaluated the mandate.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Division of Accounting
 Division of Budget and Planning
Office of the Governor
Department of Economic Development -
 Division of Professional Registration
Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation
Missouri House of Representatives
Missouri Senate



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